

CUSTOMER SERVICE AND DEMAND PLANNING IN LOGISTIC MANAGEMENT OF A COMMERCE ENTERPRISE

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Abstract: The paper presented the role of customer service and demand planning in development of distribution processes in a commerce enterprise.

Keywords: customer service, logistic management, distribution, commerce enterprise

1. Customer service and logistic management

Any distribution is related to transferring products to their buyers. The buyer is the recipient of products and services offered by the enterprise, thus he is a subject, whose demand satisfaction should be the main goal of the activity of the enterprise. Such a statement indicates unambiguously, that the correct functioning, success and development of the enterprise depend directly from the customer [1.].

The buyers are most interested in products that have the following features [2.]:

- their properties are in accordance with their expectations and demands,
- they are easy to use and reliable,
- they have a price which is correlated to their quality,
- they are more modern and feature a higher level of savings during use when compared to the offer of competitors,
- they are accompanied by an appropriate level of information,
- their sale is reformed in an attractive way, including special price-off offers,
- there exists the possibility to buy them in easily accessible places, at convenient time,
- they have a good reputation on the market and the sales conditions are acceptable,
- the after-sales service is high-level.

Satisfaction of customers' demands, both considering the product and the enterprise offering it, is related to the developed high customer service level. It is the derivative of carried out service activities. The appointed units used to react to complaints and remarks of their customers. The issues within their competences included: solution of problems occurring as the result of incorrect order fulfillment, including prolonged delivery time, occurring errors and mistakes, as well as cases of ware loss. At present the actions related to customer service as the part of marketing strategies aimed at staying ahead of competition, thus to sales increase. Making the purchase the customer gets for given amount of money the rights to a ware, which exhibits specific features, as well as to appropriate customer service related to the ware [2.].

Although the customer service issues is related mainly to this area of the enterprise, which is the subject in interest of marketing experts, as it is related directly to product delivery to appropriate address in a short time and at appropriately low costs, it constitutes the foundation for logistics in the enterprise. Gaining new customers is a complex and difficult problem, often requiring substantial financial expenses, therefore making up and maintaining the database of customers is a crucial issue in the management strategy. The cost of gaining a new customer is some times larger than the costs of keeping those customers already tied up with the enterprise. In this situation, striving at obtaining the most satisfying service standards and lowest own expenses has become to paramount aim of any organization. Because in order to attain this goal it share have all the logistic sub-systems of the organization, it can be stated, that customer service is the outcome result of action of the whole system [2].

F. J. Beier and K. Rutkowski define customer service as: „the capability of the logistic system of the enterprise to satisfy customers’ needs with respect to time, reliability, communication and comfort” [2].

M. Dobrzyński on the other hand states, that a unified definition cannot be given, which is sufficient to explain the notion „customer service”, instead he proposes a number of describing postulates. These determine customer service as:

- „all the actions necessary for acceptance, preparation, fulfillment and financial service of customers’ orders and energetic actions contradicting improper activities, if such appeared,
- punctuality and secure material delivery to customers according to their expectations,
- complex actions, which engage all the units of the enterprise, which cooperate in order to fulfill the deliveries and invoicing and full product control together with complaint fulfillments,
- punctual product deliveries exactly according to customer orders, followed by a careful examination of reaction and punctual offer delivery [3].”

The idea of the customer in the logistic system of the enterprise is depicted in the Figure below.

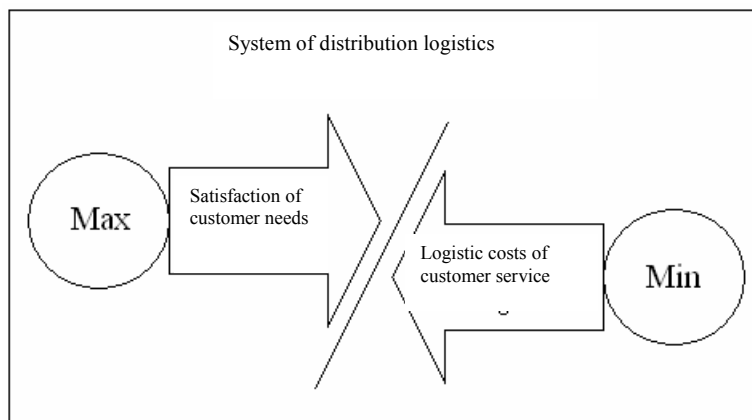


Fig. 1. Customer service in the distribution logistics system of a commerce enterprise
 Source: K. Ficoń, *Procesy logistyczne w przedsiębiorstwie (logistic processes in an enterprise)*, Impuls Plus Consulting, Gdynia 2001, p. 152.

Organizing the activities aimed at obtainment of optimal customer service standards, special care has to be paid to the amount of financial expenses for this purpose. The increase of expenses, which should be accompanied with an increase of customer satisfaction, followed by sales incomes attains at some time instant a level, when the profits cannot balance the expenses. Therefore a financial loss is observed. On the other hand, too small amounts for fulfillment of customer satisfaction are the cause of lowered interest in the proposed commercial offer, thus lower sales and profits – the enterprise becomes removed from the market by the competitors. In this situation it becomes necessary to work out such service standards, that are accompanied with optimal costs in comparison to the obtained profits. The importance of logistic actions occurring during customer service is particularly visible in the case of a comparison of logistic costs in the price of the product and the shares of logistics in the level of final dissatisfaction of the consumer.

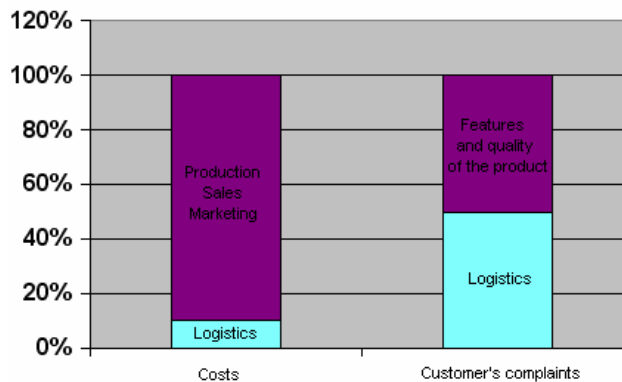


Fig. 2. The shares of logistics in the product price and in the level of customers' dissatisfaction

Source: *Logistyka dystrybucji (Distribution logistics)*,
Praca zbiorowa pod red. K. Rutkowskiego, Wydawnictwo Difin, Warszawa 2002, p. 80.

As can be noticed from the above given chart, despite 10 % share of logistics in the price of the product, more than 55 % customer complaints are related to logistic malfunctions.

2. The location of planning activities in logistic management of a commerce enterprise

Management of any area of activity in the enterprise cannot be limited just to processes occurring at present, but should extend into future as well. As writes D. Waters “all the decisions become implemented at some time instant in the future, they should be taken on the basis of foreseen conditions, and not those, that are present at the given time instant” [12.]. The planning processes, in dependence on the foreseen time span are referred to as short-term, medium-term or long-term processes. An efficient fulfillment of logistic actions is possible thanks to planning of logistic activities. A logistic plan should include:

- „a declaration of duties in reference to products and customer service adequate to the possibilities of the enterprise,
- a determination of the policy of product accessibility, their storage locations and rules of supply replenishment,
- rules of transport organization in accordance to the policy of product accessibility,
- assessment of the required capital engagement,
- rules of functioning of communication system within the enterprise and with the

- units outside the enterprise,
- expected influences on financial effects of the enterprise” [12.]

One of the most important activities related to supply are the purchase. Their planning is derivative of planning the reserves and sales and is dependent to a large extent on general finances of the enterprise.

The effect of any planning process are activity proposals to the management staff, which are later included in plans. These follow from the conclusions, based on the analysis of pieces of information, collected and stored within the organization, and refer to specific marketing activities. Their main goal is the capability to foresee the orders and appropriate reactions to them, as well as to offer a better and quicker customer service, when compared with the competitors. “Any economic activity in the market system, including the sphere of supply and distribution logistics are conditioned by the primary processes concerning the research and analyses of market demands, whose fundamental tool are the specified methods of demand forecasting.” [4.]. It is assumed that forecasting, based on extinct data is the first step in development of a logistic plan within the enterprise.

When forecasting the purchases, pieces of information from the distribution system and referring to the demands, and not only the purchase itself, should be taken into account. This is because data obtained from sales do not reflect fully the actual market demand for the products – e.g. due to scarcity in the storage places. Both systematic and random demand fluctuations, related to trends, seasonability, price manipulations, advertisement campaigns, including promotional sales, which could result in delays in supply replenishment, should be taken into account [3.]. To other causes of demand changes the following are included: “own policy and procedures within the enterprise, as well as the mechanisms of functioning of delivery chain, which encompass the effect of a bull’s whip and the effect of filling up the distribution chain” [2.].

To the effects of demand forecasting in commerce enterprises gaining information about the level and stock variety of sold wares and supply deliveries and on the scale of transport demands. An efficient demand forecast thanks to optimal reaction time to made orders exhibits a positive influence on customer service.

Analyzing the role played by forecasts in the management strategy of commerce enterprises it has to be stated, that only in individual cases the enterprise allows enough tested pieces of information, whose quality would allow for obtainment of repetitive results. To the causes of this phenomena may be accounted the variability and following uncertainty of phenomena being the source of information necessary for forecasting. Among them the following may be exemplified: economic conditions, activities of competition, government regulations, market offsets, changes in consumers’ behavior as well as time of fulfillment of orders related to the conditions at the suppliers. Due to the possibility of occurrence of errors between the forecasts and the reality, it is necessary to take actions aimed at making it possible for the enterprise to manage the unforeseen events.

Although there exists a number of methods of demand forecasting supported with improving computer applications, the level of their verification is still limited. Therefore the capability to choose the best method is a difficult and important matter. It affects to a large extent the quality and efficiency of logistic activities taken within the organization[4].

Forecasting is a tool necessary to take many strategic decisions. Decisions that are taken at any level of enterprise management, including logistic management. The influence of forecasting on decision making is depicted in figure 3. Forecasting itself is not a single operation, but a cyclically repeating process. Supporting its quality according to J. Szewczyk is not limited just to the will to obtain repetitive results, but also to:

- identification of relationships and assessment of reliability levels for the forecasts,
- assessment of the best forecast formats,

- choice of the best method of verification of forecast accuracy,
- possibility of planning and setting the optimal method of implementing the results of sales forecasts to the forecast of demand in the delivery chain.

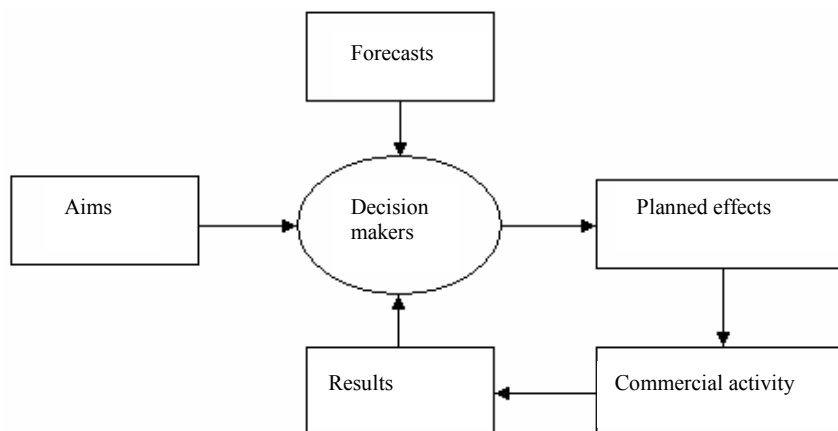


Fig. 3. Forecasting and decision making in commerce enterprises

Source: own study on the basis of D. Waters,

Zarządzanie operacyjne (operational management), PWN, Warszawa 2001, p. 147.

Being the component of logistic process of supply planning, forecasting supports taking many decisions, above all in the scope: what, where, how much and when to buy. The answer to these questions is possible using the information from the forecasted demands, among others. One of the logistic tasks fulfilled in a commerce organization is apart from ware exchange, creation and skilled use of knowledge on the market [8.]. Its source is market analysis above all. Its aims are described as “examination of features and properties of market, its segment or niche with respect to the level of demand on wares and percentage obtained by the organization and its competitors” [4.].

The first stage of forecasting, being the most important one as well, is data storage and analysis of historical data. The process is the more difficult, that data are often unavailable, dispersed and unreliable. It leads to the use of assessed numbers, what significantly worsens the quality of information being the effect of forecasting [4.].

Data from the market after their processing become useful pieces of information for the enterprise, which possess a specified level of knowledge. Only then they allow for drawing concrete conclusions on their basis. A good definition of a piece of information was given by S. Krawczyk, who wrote “pieces of information are the news, which allow to improve the level of understanding or knowledge about an object” [6.]

Taking into account the crucial role of information for a normal functioning of a commerce enterprise, it is required that before making use of it, it has to fulfill a number of formal requirements. To these the following ones may be accounted: precision, truth, being actual, correct, representative, striving at omission of already used information and demand that information should be relevant and necessary from the point of view of the considered problem. Only fulfillment of these criteria allows to obtain forecasts, which are of good quality and verifiable [7.].

In order to obtain the highest possible level of efficiency of activities carried out by commerce enterprises it is necessary to carry out proper planning processes. To these demand planning for wares being offered by the enterprise is accounted. Pieces of information obtained in this way are used to take decisions aimed at sales increase. Taking

into account the ever increasing competitiveness on the market, the obtainment of improved sales results is possible as the result of making the customer services related to sales more and more attractive. Here also an important role is played by planning processes. It has to be stated that it is not possible for the enterprise to function correctly as a concise organization without making correct decisions, taken above all on the basis of information from the forecasts.

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